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Section C – Appendix to the Model Annual Report

Consolidated Model Annual Reports

Financial years ending on or after 31 December 2006

Putting together the A-IFRS puzzle

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Foreword

October 2006

Welcome to another edition of Deloitte's *Consolidated Model Annual Reports*. This edition has been designed by Deloitte Touche Tohmatsu to assist you in the preparation of annual reports for annual reporting periods ending on or after **31 December 2006**.

December reporters will shortly be turning their thoughts to the preparation of their second A-IFRS annual report, and accordingly, we trust that you will find the issue of this publication timely. With the transition to A-IFRS complete, one might expect to be able to sit back this year and approach the coming financial year end with less angst about the application of accounting pronouncements. However, as preparers, practitioners and regulators enhance in their understanding of the rules and interpretations of A-IFRS, we anticipate the current reporting period will continue to be a period of some challenge. In addition, entities will have to address the amendments made to a number of accounting standards which now are operative, most notably the changes limiting the ability of entities to designate financial assets and financial liabilities as at 'fair value through profit or loss', to account for most financial guarantee contracts in accordance with AASB 139 'Financial Instruments: Recognition and Measurement' and to reconsider existing accounting policy for business combinations involving entities under common control.

Following the hectic pace of change in accounting and regulatory requirements for the 2005 and 2006 financial years, many would have welcomed the news that the IASB were not going to require the application of new International Financial Reporting Standards (IFRSs) under development or major amendments to existing standards before 1 January 2009. However, there is a sting in that tail. Existing AASBs already require detailed disclosure of the impact of Accounting Standards that have been issued but which are not yet effective, including 'known or reasonably estimable information relevant to assessing the possible impact that application of the new A-IFRS will have on the entity financial report in the period of initial application'. Deloitte consider that the requirement to make such disclosure plus the need to keep the market informed will necessitate an early consideration of all new Accounting Standards and proposals and indeed there may even be benefit in early adopting some of the new requirements before 2009.

At Deloitte, we will, as always, endeavour to assist you in coming to terms with new pronouncements. To that end, besides the short summaries of new pronouncements historically included in Section A of this publication, we have prepared an Appendix to the models illustrating the disclosures required under AASB 7 'Financial Instruments: Disclosures', should you wish to early adopt the Accounting Standard. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.

You should also have received our 'new look' Accounting Alerts, recently redesigned to better keep you informed about developments both locally and internationally, and we would welcome any feedback on them. We also encourage you to regularly log on to the Deloitte IASPLUS website (www.iasplus.com), which is considered to be one of the most comprehensive sources of information about international financial reporting available, with over 3.8 million people visiting the website since its launch, including visitors from other professional accounting firms!

We hope you find the *2006 Consolidated Model Annual Reports* a useful guide in the preparation of your second annual report prepared in accordance with A-IFRS.

Bruce Porter
Lead Partner – Technical
National Assurance & Advisory Services
Deloitte

Consolidated model annual reports

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About the appendix

Purpose

The appendix to the model annual report has been designed by Deloitte Touche Tohmatsu to assist users who wish to early adopt AASB 7 ‘Financial Instruments: Disclosures’ and the associated amendments specified by AASB 2005-10 ‘Amendments to Australian Accounting Standards’ with the preparation of the **annual report** for a **consolidated entity**. The accounting standard is effective for all periods commencing on or after 1 January 2007.

The Australian Accounting Standards Board (AASB) released AASB 7 'Financial Instruments: Disclosures' in August 2005. The objective of this standard is to combine and enhance the disclosure requirements in relation to the risk exposures arising from financial instruments that are currently set out in AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 130 'Financial Statements of Banks and Similar Financial Institutions'.

This appendix is not designed to meet specific needs of specialised industries. Rather, it is intended to meet the needs of the vast majority of entities in complying with the annual reporting requirements of the Corporations Act 2001. Inquiries regarding specialised industries (e.g. banks, life insurance companies, credit unions, etc.) should be directed to an industry specialist in your nearest Deloitte Touche Tohmatsu office.

How to use this appendix

Due to the pervasive nature of financial instruments the application of AASB 7 will impact a number of the disclosures illustrated in the model financial report. The disclosures required by AASB 7 and consequential amendments to other Australian Accounting Standards, as introduced by AASB 2005-10, are illustrated in the remainder of this Appendix to the Consolidated Model Annual Reports.

The notes (or extracts thereof) in this appendix replace the corresponding notes to the financial statements contained in the model annual report included in this publication (refer Section B).

Where possible this Appendix includes the most relevant corresponding AASB 132 reference as well as the Section B page reference to illustrate where the revised disclosures will have an impact; these are identified by way of a reference in square brackets ‘[ ]’. The references to accounting standards other than AASB 132 and AASB 139 that have not been amended have not been repeated in the illustrative disclosures.

Important

In preparing disclosures to comply with the requirements of AASB 7, entities should have regard to the following:

- qualitative disclosures should describe management’s objectives, policies and processes for managing risks arising from financial instruments; and
- quantitative disclosures shall provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity’s key management personnel.

The disclosures should be sufficient to provide users with an overview of the entity’s use of financial instruments and the related risks.

The disclosures in this appendix are quoted by way of <u>example</u> only, and do not necessarily represent the only disclosures which may be appropriate for particular financial instruments and do not cover all financial instruments that may be used in practice, or importantly, reflect the manner in which an entity reports internally to its key management personnel.

Source references

References to the relevant requirements are provided in the left hand column of each page of this model. Where doubt exists as to the appropriate treatment, examination of the source of the disclosure requirement is recommended.

Abbreviations used in this model are as follows:

AASB	Accounting Standard issued by the Australian Accounting Standards Board.

Source reference

3. Significant accounting policies

[extract only]

Example accounting policies

The following illustrations are quoted by way of example only, and do not necessarily represent the only treatment which may be appropriate for the item concerned and do not cover all items that shall be considered for inclusion in the summary of accounting policies.

For example:

- an entity may elect to or not to adjust the initial measurement of the cost of a non-financial asset or a non-financial liability arising from a hedged forecast transaction by the amount deferred in equity
- an entity may elect to recognise investments on settlement date or trade date basis
- in respect of fair value hedges, to amortise the adjustment to a hedged item measured at amortised cost to profit or loss from the date the adjustment is made or to begin the amortisation no later than when hedge accounting is discontinued
- a parent entity may elect to measure investments in subsidiaries, jointly controlled entities and associates, that are not classified as held for sale, either at cost or in accordance with AASB 139 'Financial Instruments: Recognition and Measurement'.

[B46]
AASB7.21
[AASB132.60(b)]

(e) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 46 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

<u>Embedded derivatives</u>

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

<u>Hedge accounting</u>

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Note 46 contains details of the fair values of the derivative instruments used for hedging purposes. Movements on the hedging reserve in equity are also detailed in note 32.

Where a statement of changes in equity is presented, the above sentence should refer to that statement rather than note 32.

Source reference

3. Significant accounting policies (cont'd)

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses deferred in the foreign currency translation reserve are recognised immediately in profit or loss when the foreign operation is disposed.

[B48]
AASB7.21
[AASB132.60(b), 61]

(g) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

(i) has been acquired principally for the purpose of selling in the near future;

(ii) is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) is a derivative that is not designated and effective as a hedging instrument.

Source reference

3. Significant accounting policies (cont'd)

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 46.

AASB7.21
[AASB132.66(d)]

Where an entity designates financial assets into the financial assets at fair value through profit or loss category it shall disclose:

(i) the nature of the financial assets;
(ii) the criteria for so designating such financial assets on initial recognition; and
(iii) how the entity has satisfied the requirements in AASB 139 for such designation, including a narrative description of the circumstances underlying the measurement or recognition inconsistency that would otherwise arise or of how designation at fair value through profit or loss is consistent with the entity's documented risk management or investment strategy, as appropriate.

<u>Held-to-maturity investments</u>

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

<u>Available-for-sale financial assets</u>

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 46. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

AASB7.appB5(b)

Where an entity designates a financial asset into the available-for-sale category it shall disclose the criteria used in making the designation.

<u>Loans and receivables</u>

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

<u>Impairment of financial assets</u>

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Source reference

3. Significant accounting policies (cont'd)

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

AASB7.appB5(g)

When the terms of financial assets that would otherwise be past due or impaired have been renegotiated the entity shall disclose the accounting policy for financial assets that are the subject of renegotiated terms.

[B49]
AASB7.21
[AASB132.60(b)]

(h) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Compound instruments

AASB7.27
[AASB132.28, 31]

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instruments reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in note 3(v).

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 46.

AASB7.21
[AASB132.66(d)]

Where an entity designates financial liabilities into the financial liability at fair value through profit or loss category it is required to disclose:

(i) the nature of the financial liabilities;
(ii) the criteria for so designating such financial liabilities on initial recognition; and
(iii) how the entity has satisfied the requirements in AASB 139 for such designation, including a narrative description of the circumstances underlying the measurement or recognition inconsistency that would otherwise arise or of how designation at fair value through profit or loss is consistent with the entity's documented risk management or investment strategy, as appropriate.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Source reference

[B69]

7. Revenue

[extract only]

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Interest revenue:				
Bank deposits	1,650	741	1,345	365
Available-for-sale investments	154	148	154	148
Other loans and receivables	66	5	1,746	1,230
AASB7.20(d) [AASB132.94(k)(iii)] Held-to-maturity investments	445	410	3	4
Impaired financial assets	-	-	-	-
AASB7.20(b) [AASB132.94(k)(i)]	2,315	1,304	3,248	1,747

[B70]

8. Finance costs

[extract only]

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Interest on bank overdrafts and loans	4,412	6,186	2,130	1,653
Interest on obligations under finance leases	75	54	-	-
Dividends on instruments classified as financial liabilities	616	-	616	-
Interest on convertible notes	110	-	110	-
Interest on perpetual notes	52	-	52	-
Other interest expense	25	-	25	-
AASB7.20(b) [AASB132.94(k)(i)] Total interest expense	5,290	6,240	2,933	1,653
Less: amounts included in the cost of qualifying assets	(11)	(27)	-	-
	5,279	6,213	2,933	1,653
AASB7.24(a)(i) Loss/(gain) arising on derivatives in a designated fair value hedge accounting relationship	5	-	-	-
AASB7.24(a)(ii) (Gain)/loss arising on adjustment to hedged item in a designated fair value hedge accounting relationship	(5)	-	-	-
AASB7.23(d) Fair value gains on interest rate swaps designated as cash flow hedges transferred from equity	(123)	(86)	-	-
Unwinding of discounts on provisions	28	30	-	-
Unwinding of discount on costs to sell non-current assets classified as held for sale	-	-	-	-
Other finance costs	-	-	-	-
	5,184	6,157	2,933	1,653
Attributable to:				
Continuing operations	5,034	6,023	2,933	1,653
Discontinued operations	150	134	-	-
	5,184	6,157	2,933	1,653

The weighted average capitalisation rate on funds borrowed generally is 8.0%p.a. (2005: 7.8%p.a.).

Preparers of financial reports should apply judgment in deciding whether hedging gains and losses form part of finance costs or another part of expenses. In so doing, they should consider among other factors, their accounting policies, the nature of the instrument and objectives in entering into the hedging instruments.

Source reference

[B71]

9. Profit for the year

[extract only]

(a) Gains and losses

Profit/(loss) for the year has been arrived at after crediting/(charging) the following gains and losses (i):

Source reference		Consolidated						Company					
		Continuing		Discontinued		Total		Continuing		Discontinued		Total	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
	Gain/(loss) on disposal of property, plant and equipment	6	67			6	67	14	(2)	-	-	14	(2)
	Gain/(loss) on disposal of investments	-	-			-	-	-	-	-	-	-	-
	Gain/(loss) on sale of business	-	-	1,940	-	1,940	-	-	-	-	-	-	-
	Government grants received for staff re-training (ii)	731	979	-	-	731	979	226	33	-	-	226	33
	Net foreign exchange gains/(losses)	114	(117)	30	49	144	(68)	12	8	-	-	12	8
	Change in fair value of financial assets carried at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
	Change in fair value of financial liabilities carried at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
	Change in fair value of investment property	(6)	8	-	-	(6)	8	-	-	-	-	-	-
AASB7.20(a)(ii) [AASB132.94(k)(ii)]	Reversal of gain/(loss) from equity on disposal of investments classified as available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-
	Other	83	-	-	-	83	-	-	-	-	-	-	-
		928	937	1,970	49	2,898	986	252	39	-	-	252	39

(b) Income and expenses relating to financial instruments

Profit for the year includes the following income and expenses arising from movements in the carrying amounts of financial instruments (other than derivative instruments in an effective hedge relationship). The following line items combine income and expenses attributable to continuing and discontinued operations:

Source reference		Consolidated Continuing 2006 $'000	Consolidated Continuing 2005 $'000	Consolidated Discontinued 2006 $'000	Consolidated Discontinued 2005 $'000	Consolidated Total 2006 $'000	Consolidated Total 2005 $'000	Company Continuing 2006 $'000	Company Continuing 2005 $'000	Company Discontinued 2006 $'000	Company Discontinued 2005 $'000	Company Total 2006 $'000	Company Total 2005 $'000
	Held-to-maturity investments:												
	Interest revenue (note 7)	445	410	-	-	445	410	3	4	-	-	3	4
	Exchange gain/(loss)	-	-	-	-	-	-	-	-	-	-	-	-
AASB7.20(e)	Impairment of investments	-	-	-	-	-	-	-	-	-	-	-	-
	Gain/(loss) on disposal	-	-	-	-	-	-	-	-	-	-	-	-
AASB7.20(a)(iii)		445	410	-	-	445	410	3	4	-	-	3	4
	Loans and receivables:			-	-								
	Interest revenue (note 7)	1,716	746	-	-	1,716	746	3,091	1,595	-	-	3,091	1,595
	Exchange gain/(loss)	-	-	-	-	-	-	-	-	-	-	-	-
AASB7.20(e)	Impairment of loans and receivables	40	(430)	-	-	40	(430)	(2)	(1)	-	-	(2)	(1)
	Gain/(loss) on settlement	-	-	-	-	-	-	-	-	-	-	-	-
AASB7.20(a)(iv)		1,756	316	-	-	1,756	316	3,089	1,594	-	-	3,089	1,594

Source reference

9. Profit for the year (cont'd)

Source reference		Consolidated						Company					
		Continuing		Discontinued		Total		Continuing		Discontinued		Total	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
	Available-for-sale investments:												
	Interest revenue (note 7)	154	148	-	-	154	148	154	148	-	-	154	148
	Dividend revenue (note 7)	156	154	-	-	156	154	-	-	-	-	-	-
	Exchange gain/(loss)	-	-	-	-	-	-	-	-	-	-	-	-
AASB7.20(e)	Impairment of investments	-	-	-	-	-	-	-	-	-	-	-	-
AASB7.20(a)(ii) [AASB132.94(k)(ii)]	Reversal of gain/(loss) from equity on disposal of investments classified as available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-
		310	302	-	-	310	302	154	148	-	-	154	148
	Financial assets at fair value through profit and loss:												
AASB7.20(a)(i) [AASB132.94(f)]	Change in fair value of financial assets designated as at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
AASB7.20(a)(i)	Change in fair value of financial assets classified as held for trading	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-
	Financial liabilities at amortised cost:												
	Interest expense (note 8)	(5,065)	(6,052)	(150)	(134)	(5,215)	(6,186)	(2,933)	(1,653)	-	-	(2,933)	(1,653)
	Gain/(loss) arising on adjustment to hedged item in a designated fair value hedge accounting relationship (note 8)	5	-	-	-	5	-	-	-	-	-	-	-
	Exchange gain/(loss)	-	-	-	-	-	-	-	-	-	-	-	-
	Add: Amounts included in the cost of qualifying assets	11	27	-	-	11	27	-	-	-	-	-	-
	Gain/(loss) on settlement	-	-	-	-	-	-	-	-	-	-	-	-
AASB7.20(a)(v)		(5,049)	(6,025)	(150)	(134)	(5,199)	(6,159)	(2,933)	(1,653)	-	-	(2,933)	(1,653)
	Financial liabilities at fair value through profit and loss:												
AASB7.20(a)(i) [AASB132.94(f)]	Change in fair value of financial liabilities designated as at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
AASB7.20(a)(i)	Change in fair value of financial liabilities classified as held for trading	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-
AASB7.24(b)	Ineffectiveness arising from cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-
AASB7.24(c)	Ineffectiveness arising from hedges of net investments	-	-	-	-	-	-	-	-	-	-	-	-

AASB7.20(c)

Fee income and expense

An entity shall disclose, either on the face of the financial report or in the notes, fee income and expense (other than amounts included in determining the effective interest rate) arising from:

(i) financial assets or financial liabilities that are not at fair value through profit or loss; and

(ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions.

Source reference

[B80]

11. Trade and other receivables

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Trade receivables (i), (iv)	19,062	17,785	16,439	14,738
AASB139.63 Allowance for doubtful debts (ii)	(798)	(838)	(6)	(4)
	18,264	16,947	16,433	14,734
Finance lease receivable (note 39)	-	-	-	-
Allowance for uncollectible minimum lease payments (iii)	-	-	-	-
	-	-	-	-
Deferred sales proceeds (note 45(c))	960	-	-	-
Operating lease receivable	-	-	-	-
Amounts due from customers under construction contracts (note 30)	240	230	-	-
Goods and services tax recoverable	-	-	-	-
Other [describe]	54	20	10	15
	19,518	17,197	16,443	14,749

AASB7.37(a) [AASB132.60(a)]

(i) The average credit period on sales of goods is 60 days. No interest is charged on the trade receivables for the first 60 days from the date of the invoice. Thereafter, interest is charged at 2%p.a. on the outstanding balance. The Group has provided fully for all receivables over 120 days. Trade receivables between 60 days and 120 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

AASB7.36(c),37

Included in the Group's trade receivable balance are debtors with a carrying amount of $1,562 thousand (2005: $1,033 thousand) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 84 days (2005: 85 days).

Included in the company's trade receivable balance are debtors with a carrying amount of $1,311 thousand (2005: $940 thousand) which are past due at the reporting date for which the company has impaired as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable. The company does not hold any collateral over these balances. The average age of these receivables is 75 days (2005: 79 days).

AASB7.16

(ii) Movement in the allowance for doubtful debts

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Balance at beginning of the year	838	464	4	4
Amounts written off during the year	-	(32)	-	(1)
Amounts recovered during the year	-	(24)	-	-
[AASB132.94(l)] Increase/(decrease) in allowance recognised in profit or loss	(40)	430	2	1
Balance at end of the year	798	838	6	4

AASB7.33(a), (b)

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

AASB7.37(b)

Included in the allowance for doubtful debts are specific trade receivables with a balance of $63 thousand (2005: $52 thousand) for the Group and nil (2005: nil) for the company which have been placed under liquidation. The impairment represents the difference between the carrying amount of the specific trade receivable and present value of the expected liquidation dividend.

Source reference

11. Trade and other receivables (cont'd)

AASB7.16

(iii) Movement in the allowance for uncollectible minimum lease payments

	Consolidated		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Balance at beginning of the year	-	-	-	-
Amounts written off during the year	-	-	-	-
Amounts recovered during the year	-	-	-	-
Increase/(decrease) in allowance recognised in profit or loss	-	-	-	-
Balance at end of the year	-	-	-	-

(iv) Derecognition of financial assets

AASB7.13 [AASB132.94(a)]

During the period, the Group transferred $1,052 thousand (2005: nil) of trade receivables to an unrelated entity. As part of the transfer, the Group provided the transferee a credit guarantee over the expected losses of those receivables. Accordingly, the Group continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (refer note 24). At the reporting date, the carrying amount of the transferred short-term receivables is $946 thousand. The carrying amount of the associated liability is $923 thousand.

AASB7.37

An entity shall disclose by class of financial asset:

(a) an analysis of the age of financial assets that are past due as at the reporting date but not impaired;

(b) an analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the entity considered in determining that they are impaired; and

(c) for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value.

AASB7.36(d)

An entity shall disclose by class of financial instrument the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

For each asset line item that combines amounts expected to be recovered or settled (a) no more than twelve months after the reporting date, and (b) more than twelve months after the reporting date, an entity shall disclose the amount expected to be recovered or settled after more than twelve months.

Derecognition of financial assets

AASB7.13 [AASB132.94(a)]

An entity may have transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition. The entity shall disclose for each class of such financial assets:

(a) the nature of the assets;

(b) the nature of the risks and rewards of ownership to which the entity remains exposed;

(c) when the entity continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities; and

(d) when the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the entity continues to recognise and the carrying amount of the associated liabilities.

Source reference
[B81]

13. Other financial assets

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Investments carried at cost:				
Non-current				
Investments in subsidiaries	-	-	66,298	66,298
Investments in associates	-	-	-	-
Investments in jointly controlled entities	-	-	-	-
	-	-	66,298	66,298
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Current				
Foreign currency forward contracts	244	220	-	-
Interest rate swaps	72	37	-	-
Non-current				
Interest rate swaps	212	140	-	-
	528	397	-	-
Financial assets carried at fair value through profit or loss:				
Current				
[describe]	-	-	-	-
Non-current				
[describe]	-	-	-	-
	-	-	-	-
Held-to-maturity investments carried at amortised cost:				
Current				
Bills of exchange (i)	4,304	3,604	18	208
Debentures (ii)	500	-	-	-
Non-current				
Bills of exchange (i)	2,059	1,658	-	-
	6,863	5,262	18	208
Available-for-sale investments carried at fair value:				
Current				
Shares	-	-	-	-
Non-current				
Redeemable notes (iii)	2,200	2,122	2,200	2,122
Shares (iv)	5,940	5,736	689	640
	8,140	7,858	2,889	2,762
Loans carried at amortised cost:				
Current				
Loans to subsidiaries (iii)	-	-		
Loans to other related parties (v)	3,637	3,088	2,420	-
Loans to other entities	-	-	-	-
Non-current				
Loans to subsidiaries (vi)	-	-	24,597	30,035
	3,637	3,088	27,017	30,035
	19,168	16,605	96,222	99,303
Disclosed in the financial statements as:				
Current other financial assets	8,757	6,949	2,438	208
Non-current other financial assets	10,411	9,656	93,784	99,095
	19,168	16,605	96,222	99,303

Source reference

13. Other financial assets (cont'd)

AASB7.7 [AASB132.60(a)]

(i) The Group hold bills of exchange returning a variable rate of interest. The weighted average interest rate on these securities is 7.10%p.a. (7.0%p.a.). The bills have maturity dates ranging between 3 to 18 months from reporting date.

(ii) The debentures are issued by a company related to B.M. Stavrinidis and return interest of 6%p.a. payable monthly, and mature in March 2007.

(iii) The Group holds listed redeemable notes returning 7%p.a. The notes are redeemed at par value in 2009.

(iv) The Group holds 20% (2005: 20%) of the ordinary share capital of Rocket Corp Limited, a company involved in the refining and distribution of fuel products. The directors of the Group do not believe that the Group is able to exert significant influence over Rocket Corp Limited as the other 80% is controlled by one shareholder, who also manages the day-to-day operations of the company.

(v) The Group has provided several of its key management personnel and a joint venture entity with short-term loans at rates comparable to the average commercial rate of interest. Further information about these loans is contained in note 49(b).

(vi) Receivables from entities within the wholly-owned group include amounts arising under the Group's tax funding arrangement and amounts reimbursable to DTT Group Limited for share options granted by the company under its employee share option plan to employees of its subsidiaries. The intercompany loan receivable is repayable on demand and interest is charged on the outstanding balance at market rates.

Financial assets carried at fair value through profit or loss

AASB7.8(a)

Where an entity carries financial assets at fair value through profit or loss, the entity shall disclose separately the carrying amount of:

[AASB132.94(e)(iii)]

(i) financial assets that, upon initial recognition, were designated by the entity as financial assets at fair value through profit or loss; and

[AASB132.94(e)(i)]

(ii) financial assets that are classified as held for trading

Financial assets that are either past due or impaired

AASB7.37(c)

In respect of financial assets that are past due as at the reporting date but not impaired and financial assets that are individually determined to be impaired as at the reporting date, an entity shall provide a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value.

AASB7.36(d)

An entity shall disclose by class of financial instrument the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

Reclassification of financial assets

AASB7.12 [AASB132.94(j)]

In the rare circumstances that a financial asset is reclassified as one measured at cost or amortised cost rather than at fair value, or at fair value, rather than at cost or amortised cost, it shall disclose the amount and the reason for the reclassification.

Source reference

[B99]

21. Assets received as collateral

AASB7.15
[AASB132.94(c)]

When an entity holds collateral (of financial and non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:

(a) the fair value of the collateral held (financial and non-financial assets);
(b) the fair value of any such collateral sold or repledged and whether the entity has an obligation to return it; and
(c) any material terms and conditions associated with its use of this collateral.

AASB7.38

When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other Australian Accounting Standards, an entity shall disclose:

(a) the nature and carrying amount of the assets obtained; and
(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

[B99]

22. Assets pledged as security

AASB7.14
[AASB132.94(b)]

In accordance with the security arrangements of liabilities, as disclosed in note 24 to the financial statements, all non-current assets of the Group, except goodwill and deferred tax assets, have been pledged as security. The holder of the security does not have the right to sell or re-pledge the assets.

The Group does not hold title to the equipment under finance lease pledged as security.

The financial report shall disclose the following:

(a) the carrying amount of inventories pledged as security for liabilities
(b) the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities
(c) the carrying amount of the property, plant and equipment pledged and the related existence and amounts of restrictions on title
(d) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal

AASB7.14
[AASB132.94(b)]

(e) the carrying amount of financial assets it has pledged as collateral for liabilities, or contingent liabilities, including amounts that have been reclassified as a result of a transfer of a financial asset in accordance with paragraph 37(a) of AASB 139, and the terms and conditions relating to its pledge.

Source reference

[B100]

23. Trade and other payables

	Consolidated		Company	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Trade payables (i)	16,784	21,480	2,798	4,118
Cash-settled share-based payments (note 47) (ii)	-	-	-	-
Amounts due to customers under construction contracts (note 31)	36	15	-	-
Goods and services tax payable	-	-	-	-
Other [describe]	-	-	-	-
	16,820	21,495	2,798	4,118

AASB7.7
[AASB132.60(a)]

(i) The average credit period on purchases of certain goods from the United States is 4 months. No interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged at 2%p.a. on the outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

(ii) At reporting date, the intrinsic value of vested cash-settled share-based payments for the company and the Group is $nil (2005: $nil).

For each liability line item that combines amounts expected to be recovered or settled (a) no more than twelve months after the reporting date, and (b) more than twelve months after the reporting date, an entity shall disclose the amount expected to be recovered or settled after more than twelve months.

Source reference

[B100]

24. Borrowings

	Consolidated		Company	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Unsecured – at amortised cost				
Current				
Bank overdrafts	520	314	502	212
Bills of exchange (i)	358	374	-	-
Loans from:				
Subsidiaries (ii)	-	-	16,006	19,924
Other related parties (iii)	12,917	14,932	74	6,302
Other entities (iv)	3,701	3,518	3,695	3,100
Other [describe]	-	-	-	-
Non-current				
Bills of exchange (i)	-	542	-	-
Loans from:				
Subsidiaries	-	-	-	-
Other related parties (iii)	-	19,192	-	-
Other entities	-	-	-	-
Redeemable cumulative preference shares (v)	15,000	-	15,000	-
Convertible notes (vi)	4,144	-	4,144	-
Perpetual notes (vii)	1,905	-	1,905	-
Other [describe]	-	-	-	-
Secured – at amortised cost				
Current				
Bank overdrafts	18	64	-	-
Bank loans (viii), (ix)	4,000	6,344	2,000	2,500
Transferred receivables (x)	923	-	-	-
Finance lease liabilities (xi) (note 39)	9	54	-	-
Other [describe]	-	-	-	-
Non-current				
Bank loans (ix)	10,982	11,060	6,000	7,000
Other loans (iv)	575	649	-	-
Finance lease liabilities (xi) (note 39)	5	35	-	-
Other [describe]	-	-	-	-
	55,057	57,078	49,326	39,038
Disclosed in the financial statements as:				
Current borrowings	22,446	25,600	22,277	32,038
Non-current borrowings	32,611	31,478	27,049	7,000
	55,057	57,078	49,326	39,038

AASB7.7
[AASB132.60(a)]

(i) Bills of exchange with a variable interest rate were issued in 2000. The current weighted average effective interest rate on the bills is 6.80%p.a. (2005: 6.80%p.a.)

(ii) Payables to entities within the wholly-owned group include amounts arising under the entity's tax funding arrangement (refer to note 10 for details). A market rate of interest is charged on outstanding intercompany loan balances, which are repayable at call.

(iii) Amounts repayable to related parties of the Group. Interest of 8.0%p.a. - 8.2%p.a. is charged on the outstanding loan balances (2005: 8.0%p.a. - 8.2%p.a.).

(iv) Fixed rate loans with a finance company with maturity periods not exceeding 3 years (2005: 4 years). The weighted average effective interest rate on the loans is 8.15%p.a (2005: 8.10%p.a.). The Group hedges a portion of the loans via an interest rate swap exchanging fixed rate interest for variable rate interest. The outstanding balance is adjusted for hedging losses on that interest rate swap (refer note 46).

(v) 3,000,000 7% redeemable cumulative preference shares were issued on 1 June 2006 at an issue price of $5.00 per share. The shares are redeemable on 31 May 2009 at $5 per share.

(vi) 4,500,000 5.5% convertible notes were issued on 1 September 2006 at an issue price of $1.10 per note. Each note entitles the holder to convert to one ordinary share at a cost of $3.00 per ordinary share. Conversion may occur any time between 1 July 2010 and 31 August 2010. Unconverted notes mature at $1.00 on 1 September 2010.

Source reference

24. Borrowings (cont'd)

(vii) 2,500 6% perpetual notes were issued on 27 August 2006 at $1,000 principal value.
(viii) Relates to the current portion of long-term borrowings.
(ix) Secured by a mortgage over the Group's freehold land and buildings.
(x) Secured by the trade receivables (refer note 11).
(xi) Secured by the assets leased. The borrowings are a mix of variable and fixed interest rate debt with repayment periods not exceeding 5 years. The current weighted average effective interest rate on the bank loans is 8.30%p.a. (2005: 8.32%p.a.).

Defaults and breaches

AASB7.18 [AASB132.94(m), 95] For loans payable recognised at the reporting date, an entity shall disclose:
(a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;
(b) the carrying amount of the loans payable in default at the reporting date; and
(c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

AASB7.19 If, during the period, there were breaches of loan agreement terms other than those described above, an entity shall disclose the same information as required above if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the reporting date).

[B102]

25. Other financial liabilities

	Consolidated		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Financial guarantee contracts				
Current	24	18	-	-
Non-current	-	-	-	-
Derivatives				
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Current				
Foreign currency forward contracts	75	-	-	-
Interest rate swaps	5	-	-	-
Currency swaps	-	-	-	-
Other [describe]				
Non-current				
Other [describe]	-	-	-	-
	80	-	-	-
Derivatives that are classified as held for trading:				
Current				
Other [describe]	-	-	-	-
	104	18	-	-
Disclosed in the financial statements as:				
Current other financial liabilities	104	18	-	-
Non-current other financial liabilities	-	-	-	-
	104	18	-	-

Financial liabilities carried at fair value through profit or loss

AASB7.8(e) An entity shall disclose the carrying amount of:
[AASB132.94(e)(ii)] (i) financial liabilities that are classified as held for trading; and
[AASB132.94(e)(iv)] (ii) financial liabilities that, upon initial recognition, were designated by the entity as financial liabilities at fair value through profit or loss.

Source reference

32. Reserves

[extract only]

Source reference		Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
[B112]	**Investments revaluation reserve**				
	Balance at beginning of financial year	527	470	35	74
AASB7.20(a)(ii) [AASB132.94(k)(ii)]	Valuation gain/(loss) recognised	94	81	31	(55)
AASB7.20(a)(ii) [AASB132.94(k)(ii)]	Cumulative (gain)/loss transferred to the income statement on sale of financial assets	-	-	-	-
AASB7.20(a)(ii) [AASB132.94(k)(ii)]	Cumulative (gain)/loss transferred to the income statement on impairment of financial assets	-	-	-	-
	Related income tax	(28)	(24)	(9)	16
	Balance at end of financial year	593	527	57	35

The investments revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

Source reference		Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
[B113]	**Hedging reserve**				
	Balance at beginning of financial year	278	258	-	-
AASB7.23(c) [AASB132.59(a)]	Gain/(loss) recognised:				
	Forward exchange contracts	209	(41)	-	-
	Interest rate swaps	227	357	-	-
	Currency swaps	-	-	-	-
AASB7.23(d) [AASB132.59(b)]	Transferred to profit or loss (i):				
	Forward exchange contracts	(3)	-	-	-
	Interest rate swaps	(120)	(86)	-	-
	Currency swaps	-	-	-	-
AASB7.23(e) [AASB132.59(c)]	Transferred to initial carrying amount of hedged item:				
	Forward exchange contracts	(257)	(201)	-	-
	Related income tax	(17)	(9)	-	-
	Other [describe]	-	-	-	-
	Balance at end of financial year	317	278	-	-

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

AASB7.23(d) (i) Gains and losses transferred from equity into profit or loss during the period are included in the following line items on the face of the income statement:

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Revenue	-	-	-	-
Other income	-	-	-	-
Finance costs	(120)	(86)	-	-
Other expenses	(3)	-	-	-
Income tax expense	37	26	-	-
Other [describe]	-	-	-	-
	86	60	-	-

Source reference

[B137]

46. Financial instruments

Removal of parent entity relief

Preparers of financial reports need be aware that AASB 7 'Financial Instruments: Disclosure' does not include similar relief to AASB 132 'Financial Instruments: Disclosure and Presentation' which permitted certain disclosures to be made only with respect to the consolidated financial statements where the separate financial statements of the parent were presented together with the consolidated financial statements of the Group. On adoption of AASB 7, entities will be required to provide the disclosures specified by AASB 7, including any comparative information presented, in respect of both the company and the Group.

AASB7.6

When disclosure by class of financial instrument is required by AASB 7, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the balance sheet.

AASB101.124A, 124B

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 31, 32 and 33 respectively.

The Group's risk management committee reviews the capital structure on a semi-annual basis. As a part of this review the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2005.

Externally imposed capital requirements

AASB101.124B(d) When an entity is subject to externally imposed capital requirements, it should disclose the nature of those requirements and how those requirements are incorporated into the management of capital.

AASB101.124B(e) When the entity has not complied with such externally imposed capital requirements, it shall disclose the consequences of such non-compliance.

AASB7.21 [AASB132.60(b)]

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

(c) Categories of financial instruments

Source reference		Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
	Financial assets				
	Cash and cash equivalents	20,374	19,778	8,552	6,681
	Fair value through profit or loss				
AASB7.8(a)	Held for trading	-	-	-	-
AASB7.8(a)	Designated (i)	-	-	-	-
	Derivative instruments in designated hedge accounting relationships	528	397	-	-
AASB7.8(b)	Held-to-maturity investments	6,863	5,262	18	208
AASB7.8(c)	Loans and receivables	25,135	20,285	43,460	44,784
AASB7.8(d)	Available-for-sale financial assets	8,140	7,858	2,889	2,762
	Financial liabilities				
	Fair value through profit or loss				
AASB7.8(e)	Held for trading	-	-	-	-
AASB7.8(e)	Designated (ii)	-	-	-	-
	Derivative instruments in designated hedge accounting relationships	80	-	-	-
AASB7.8(f)	Amortised cost	75,131	78,573	52,124	43,156
	Financial guarantee contracts	24	18	-	-

Source reference

46. Financial instruments (cont'd)

(i) Loans and receivables designated as at 'fair value through profit or loss'

Source reference		Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
	Carrying amount of loans and receivables designated as at 'fair value through profit or loss'	-	-	-	-
AASB7.9(c) [AASB132.94(g)(iii)]]	Cumulative changes in fair value attributable to changes in credit risk	-	-	-	-
AASB7.9(c) [AASB132.94(g)(iii)]	Changes in fair value attributable to changes in credit risk recognised during the period	-	-	-	-

AASB7.9(a) [AASB132.94(g)(i)]

At the reporting date there are no significant concentrations of credit risk. The carrying amount reflected above represents the company's and the Group's maximum exposure to credit risk for such loans and receivables.

AASB7.9(b) [AASB132.94(g)(ii)]

If the entity has designated a loan or receivable (or group of loans or receivables) as at fair value through profit or loss, it shall disclose the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk.

AASB7.11(a) [AASB132.94(i)(i)]

An entity shall disclose the methods used to comply with the requirements in AASB 7 to disclose the amount of change, during the period and cumulatively, in the fair value of the loan or receivable (or group of loans or receivables) that is attributable to changes in the credit risk of the financial asset.

AASB7.11(b) [AASB132.94(i)(ii)]

If the entity believes that the disclosure it has given to comply with the requirements in AASB 7 to disclose the amount of change, during the period and cumulatively, in the fair value of the loan or receivable (or group of loans or receivables) that is attributable to changes in the credit risk of the financial asset does not faithfully represent the change in the fair value of the financial asset attributable to changes in its credit risk, it shall disclose the reasons for reaching this conclusion and the factors it believes are relevant.

AASB7.9(d) [AASB132.94(g)(iv)]

<u>Credit derivatives over loans and receivables at fair value</u>

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Opening fair value	-	-	-	-
Realised during the period	-	-	-	-
Change in fair value	-	-	-	-
Closing fair value	-	-	-	-

(ii) Financial liabilities designated as at 'fair value through profit or loss'

Source reference		Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
AASB7.10(a) [AASB132.94(h)(i)]	Cumulative changes in fair value attributable to changes in credit risk	-	-	-	-
AASB7.10(a) [AASB132.94(h)(i)	Changes in fair value attributable to changes in credit risk recognised during the period	-	-	-	-

AASB7.10(b) [AASB132.94(h)(ii)]

<u>Difference between carrying amount and maturity amount</u>

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Financial liabilities at fair value	-	-	-	-
Amount payable at maturity	-	-	-	-
	-	-	-	-

AASB7.11(a) [AASB132.94(i)(i)]

An entity shall disclose the methods used to comply with the requirements in AASB 7 to disclose the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of the financial liability.

AASB7.11(b) [AASB132.94(i)(ii)]

If the entity believes that the disclosure it has given to comply with the requirements in AASB 7 to disclose the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of the financial liability does not faithfully represent the change in the fair value of the financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.

Source reference

46. Financial instruments (cont'd)

Financial risk management

AASB7.31
An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date.

AASB7.32
AASB 7 requires certain disclosures be made about the nature and extent of risks arising from financial instruments. These disclosures focus on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

AASB7.33
For each type of risk arising from financial instruments, an entity shall disclose:

(a) the exposures to risk and how they arise;
(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and
(c) any changes in (a) or (b) from the previous period.

AASB7.34
For each type of risk arising from financial instruments, an entity shall disclose:

(a) summary quantitative data about its exposure to that risk at the reporting date. This disclosure shall be based on the information provided internally to key management personnel of the entity, for example the entity's board of directors or chief executive officer;
(b) the disclosures about credit risk, liquidity risk and market risk required by the standard (refer AASB 7 paragraphs 36 to 42), to the extent not provided in (a), unless the risk is not material; and
(c) concentrations of risk if not apparent from (a) and (b).

AASB7.34, appB8
Disclosure of concentrations of risk shall include:

(a) a description of how management determines concentrations;
(b) a description of the shared characteristic that identifies each concentration (e.g. counterparty, geographical area, currency or market); and
(c) the amount of the risk exposure associated with all financial instruments sharing that characteristic.

AASB7.31
[AASB132.56, 57]

(d) Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

AASB7.33

(e) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 46(g)) and interest rates (refer note 46(h)). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of widgets to the United States and Japan;
- currency swaps to manage the foreign currency risk associated with foreign currency denominated borrowings;
- forward interest rate contracts to manage interest rate risk; and
- interest rate swaps to mitigate the risk of rising interest rates.

At a Group level, market risk exposures are measured using value-at-risk (VaR), supplemented by sensitivity analysis, and stress scenario analysis. At a company level, market risks are managed through sensitivity analysis and stress scenario analysis.

AASB7.33(c)
There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Source reference

46. Financial instruments (cont'd)

Market risk – sensitivity analysis

AASB7.40 An entity shall disclose:

(a) a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;

AASB7.appB19 In determining what a reasonably possible change in the relevant risk variable is, an entity should consider:

i. the economic environments in which it operates. A reasonably possible change should not include remote or 'worst case' scenarios or 'stress tests'. Moreover, if the rate of change in the underlying risk variable is stable, the entity need not alter the chosen reasonably possible change in the risk variable; and

ii. the time frame over which it is making the assessment. The sensitivity analysis shall show the effects of changes that are considered to be reasonably possible over the period until the entity will next present these disclosures, which is usually its next annual reporting period.

(b) the methods and assumptions used in preparing the sensitivity analysis; and

(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.

AASB7.41 If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified above. The entity shall also disclose:

(a) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and

(b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.

AASB7.42 When the sensitivity analyses disclosed are unrepresentative of a risk inherent in a financial instrument (e.g. because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.

AASB7.41

(f) VaR analysis

The VaR risk measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies employed to calculate daily risk numbers include the historical and variance-covariance approaches. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

While VaR captures the Group's exposure under normal market conditions, sensitivity and scenario analysis, and in particular stress testing, is used to add insight to the possible outcomes under abnormal market conditions. The Group assesses various stress scenarios to measure the impact on portfolio values of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, and consequently reflects the decline in liquidity that frequently accompanies market shocks.

Historical VaR (99%, one-day) by risk type	Average		Minimum		Maximum		Year end	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Foreign exchange	980	1,340	546	943	1,200	1,600	980	1,350
Interest rate	115	60	85	45	150	95	105	55
Diversification	(45)	(40)					(55)	(50)
Total VaR exposure	1,050	1,360					1,030	1,350

Details of the sensitivity analysis for foreign currency risk and interest rate risk are discussed later in this note.

Source reference

46. Financial instruments (cont'd)

(g) Foreign currency risk management

AASB7.33, 34 [AASB132.56] The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
US dollars	8,297	7,469	1,574	1,671
Japanese Yen	186	135	-	-
Other	-	-	-	-

The company does not have any exposures to foreign currencies at the reporting date (2005: nil).

Foreign currency sensitivity

The Group is mainly exposed to US dollars (USD) and Japanese Yen.

AASB7.40(b) The following table details the Group's sensitivity to a 10% change in the Australian Dollar against the respective foreign currencies. 10% is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency.

		USD Impact					Japanese Yen Impact				
		Consolidated		Company			Consolidated		Company		
		2006 $'000	2005 $'000	2006 $'000	2005 $'000		2006 $'000	2005 $'000	2006 $'000	2005 $'000	
AASB7.40(a)	Profit or loss	834	1,792	-	-	(i)	134	257	-	-	(iii)
AASB7.40(a)	Other equity	962	1,232	-	-	(ii)	70	69	-	-	(iv)

(i) This is mainly attributable to the exposure outstanding USD receivables and payables at year end in the Group.

(ii) This is mainly as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

(iii) This is mainly attributable to the exposure to outstanding Japanese Yen payables at the year end.

(iv) This is mainly as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

The change in equity due to a 10% change in the Australian Dollar against all exchange rates for the currency translation of foreign operations would be a decrease/increase of $4,982 thousand (2005: $8,125 thousand).

The Group's sensitivity to foreign currency has decreased during the current period mainly due to the disposal of USD investments and the reduction in USD sales in the last quarter of the financial year which has resulted in lower USD denominated trade receivables.

AASB7.42 In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. USD denominated sales are seasonal with lower sales volumes in the last quarter of the financial year, which results in a reduction in USD receivables at year end. Furthermore, the sensitivity to foreign currency transactions of the company are not reflected as there were no outstanding foreign currency denominated assets or liabilities at reporting date (2005: nil).

Source reference

46. Financial instruments (cont'd)

Forward foreign exchange contracts

AASB7.22, 33, 34 [AASB132.56, 58, 60(a)]

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 70% to 80% of the exposure generated. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 6 months within 40% to 50% of the exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

The following table details the forward foreign currency contracts outstanding as at reporting date:

Outstanding contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2006	2005	2006 FC'000	2005 FC'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Consolidated								
Buy US Dollars								
Less than 3 months	0.770	0.768	2,493	2,010	3,238	2,617	152	110
3 to 6 months	0.768	0.750	1,974	1,958	2,570	2,611	92	34
Sell US Dollars								
Less than 3 months	0.780	0.769	982	1,028	1,259	1,337	(70)	26
Buy Japanese Yen								
Less than 3 months	86.29	85.53	12,850	20,000	149	234	(5)	50
							169	220
Company								
[describe]	-	-	-	-	-	-	-	-
							-	-

AASB7.34(a)

The table above provides an example of summary quantitative data about exposure to foreign exchange risks at the reporting date that an entity may provide internally to key management personnel.

The Group has entered into contracts to supply widgets to customers in the United States. The Group has entered into forward foreign exchange contracts (for terms not exceeding 3 months) to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as cash flow hedges.

AASB7.23(a) [AASB132.58(d)]

As at reporting date the aggregate amount of unrealised losses under forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on these anticipated future transactions is $70 thousand (2005: unrealised gains of $26 thousand). It is anticipated that the sales will take place during the first 3 months of the next financial year at which stage the amount deferred in equity will be released into profit or loss.

The Group has entered into contracts to purchase raw materials from suppliers in the United States and Japan. The Group has entered into forward foreign exchange contracts (for terms not exceeding 6 months) to hedge the exchange rate risk arising from these anticipated future purchases, which are designated into cash flow hedges

AASB7.23(a) [AASB132.58(d)]

As at reporting date, the aggregate amount of unrealised gains under forward foreign exchange contracts deferred in the hedging reserve relating to these anticipated future transactions is $239 thousand (2005: unrealised gains of $194 thousand). It is anticipated that the purchases will take place during the first 6 months of the next financial year at which stage the amount deferred in equity will be included in the carrying value of the raw material. It is anticipated that the raw material will be converted into inventory and sold within 12 months after purchase at which stage the amount deferred in equity will impact profit or loss.

AASB7.23(a) [AASB132.58(d)]

At the start of the third quarter, the Group reduced its forecasts on sales of widgets to the United States due to increased local competition and higher shipping costs. The Group had previously hedged US$1,079 thousand of future sales of which US$97 thousand are no longer expected to occur; US$982 thousand remain highly probable. Accordingly, the Group has recycled $3 thousand of gains on foreign currency forward contracts relating to forecast transactions that are no longer expected to occur from the hedging reserve into profit or loss.

Source reference

46. Financial instruments (cont'd)

(h) Interest rate risk management

AASB7.33, 34 [AASB132.56, 58, 60(a)]

The company and the Group are exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

AASB7.40(b)

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point change is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

AASB7.40(a)

At reporting date, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- net profit would increase/decrease by $93 thousand (2005: decrease/increase by $43 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings
- other equity reserves would increase/decrease by $19 thousand (2005: increase/decrease by $12 thousand) mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments and the increase in interest rate swaps.

AASB7.40(a)

At reporting date, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the company's:

- net profit would increase/decrease by $158 thousand (2005: decrease/increase by $145 thousand). This is mainly attributable to the company's exposure to interest rates on its variable rate borrowings and cash deposits.
- other equity reserves would increase/decrease by $1 thousand (2005: increase/decrease by $1 thousand) mainly as a result of the changes in fair value of available-for-sale fixed rate instruments.

The company's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments.

Interest rate swap contracts

AASB7.22, 33, 34 [AASB132.58, 60(a)]

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

Outstanding floating for fixed contracts	Average contracted fixed interest rate 2006 %	Average contracted fixed interest rate 2005 %	Notional principal amount 2006 $'000	Notional principal amount 2005 $'000	Fair value 2006 $'000	Fair value 2005 $'000
Consolidated						
Less than 1 year	7.45	6.75	1,000	4,000	72	37
1 to 2 years	7.15	7.05	2,000	1,620	55	47
2 to 5 years	6.75	6.50	3,000	1,359	130	93
5 years +	7.05	7.15	1,000	-	27	-
			7,000	6,979	284	177
Company						
[describe]	-	-	-	-	-	-
			-	-	-	-

AASB7.34(a)

The table above provides an <u>example</u> of summary quantitative data about exposure to interest rate risks at the reporting date that an entity may provide internally to key management personnel.

Source reference

46. Financial instruments (cont'd)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Australian BBSW. The Group will settle the difference between the fixed and floating interest rate on a net basis.

AASB7.22, 23(a)

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

Outstanding fixed for floating contracts	Average contracted fixed interest rate 2006 %	Average contracted fixed interest rate 2005 %	Notional principal amount 2006 $'000	Notional principal amount 2005 $'000	Fair value 2006 $'000	Fair value 2005 $'000
Consolidated						
Less than 1 year	8.15	-	3,701	-	(5)	-
[describe]	-	-	-	-	-	-
			3,701	-	(5)	-
Company						
[describe]	-	-	-	-	-	-
			-	-	-	-

AASB7.34(a)

The table above provides an example of summary quantitative data about exposure to interest rate risks at the reporting date that an entity may provide internally to key management personnel.

AASB7.39(a)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Australian BBSW. The Group will settle the difference between the fixed and floating interest rate on a net basis.

AASB7.24(a)

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of interest rates. During the period the hedge was 100% percent effective in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the loan was adjusted by $5 thousand which was included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

(i) Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Equity price sensitivity

AASB7.40(b)

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

AASB7.40(a)

At reporting date, if the inputs to the valuation model had been 10% higher/lower while all other variables were held constant:

- net profit would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired
- other equity reserves would decrease/increase by $7 thousand (2005: decrease/increase by $8 thousand) for the Group and $2 thousand (2005: $3 thousand) for the company, mainly as a result of the changes in fair value of available-for-sale shares.

The Group's sensitivity to equity prices has not changed significantly from the prior year.

AASB7.36, appB8 [AASB132.56, 57, 76]

(j) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Source reference

46. Financial instruments (cont'd)

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained:

Financial assets and other credit exposures	Maximum credit risk 2006 $'000	Maximum credit risk 2005 $'000
Consolidated		
Guarantee provided by a subsidiary to secure financing for a sister company controlled by the Group's overseas parent	18,000	15,000
Guarantee provided to bank on a jointly controlled entity's loan	-	-
Other [describe]	-	-
Company		
Guarantee provided to bank on subsidiary's performance	-	-
Guarantee provided under the deed of cross guarantee	11,980	24,624
Other [describe]	-	-
	29,980	39,624

AASB7.36(b)

An entity shall disclose a description of collateral held as security and other credit enhancements in respect of the amounts disclosed above.

AASB7.appB10

Activities that give rise to credit risk and the associated maximum exposure to credit risk include, but are not limited to:

- granting loans and receivables to customers and placing deposits with other entities. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets;
- entering into derivative contracts, for example, foreign exchange contracts, interest rate swaps and credit derivatives. When the resulting asset is measured at fair value, the maximum exposure to credit risk at the reporting date will equal the carrying amount;
- granting financial guarantees. In this case, the maximum exposure to credit risk is the maximum amount the entity could have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability; and
- making a loan commitment that is irrevocable over the life of the facility or is revocable only in response to a material adverse change. If the issuer cannot settle the loan commitment net in cash or another financial instrument, the maximum credit exposure is the full amount of the commitment. This is because it is uncertain whether the amount of any undrawn portion may be drawn upon in the future. This may be significantly greater than the amount recognised as a liability.

(k) Liquidity risk management

AASB7.33, 39(b) [AASB132.56]

Ultimate responsibility for liquidity risk management rests with the board of directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 45(e) is a listing of additional undrawn facilities that the company/Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

AASB7.34, 35, 39(a) [AASB132.67, 71, 74]

The following tables detail the company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities except where the company/Group is entitled and intends to repay the liability before its maturity. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet.

Source reference

46. Financial instruments (cont'd)

AASB7.34(a)

The tables below includes the weighted average effective interest rate and a reconciliation to the carrying amount in the balance sheet as an example of summary quantitative data about exposure to interest rates at the reporting date that an entity may provide internally to key management personnel.

Consolidated

	Weighted average effective interest rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Adjust-ment $'000	Total $'000
2006								
Non-interest bearing	-	12,081	9,209	3,917	-	-	-	25,207
Finance lease liability	7.00	1	2	7	6	-	(2)	14
Variable interest rate instruments	8.18	893	339	3,136	6,890	-	(445)	10,813
Fixed interest rate instruments	7.56	1,735	4,825	12,389	30,035	2,898	(6,738)	45,144
Financial guarantee contracts	-	18,000	-	-	-	-	(17,976)	24
		32,710	14,375	19,449	36,931	2,898	(25,161)	81,202
2005								
Non-interest bearing	-	11,181	11,622	4,560	-	-	-	27,363
Finance lease liability	7.00	5	10	43	44	-	(13)	89
Variable interest rate instruments	8.08	7,701	1,409	7,045	24,921	-	(5,679)	35,397
Fixed interest rate instruments	8.03	1,554	3,129	7,238	15,945	-	(5,384)	22,482
Financial guarantee contracts	-	15,000	-	-	-	-	(14,982)	18
		35,441	16,170	18,886	40,910	-	(26,058)	85,349

Company

	Weighted average effective interest rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Adjust-ment $'000	Total $'000
2006								
Non-interest bearing	-	467	2,364	4,591	-	-	-	7,422
Variable interest rate instruments	8.29	664	169	743	6,102	-	(1,102)	6,576
Fixed interest rate instruments	7.52	16,978	1,968	2,250	23,669	2,898	(6,011)	42,752
Financial guarantee contracts		11,980	-	-	-	-	(11,980)	-
		30,089	4,501	7,584	29,771	2,898	(19,093)	56,750
2005								
Non-interest bearing	-	1,153	2,999	4,609	-	-	-	8,761
Variable interest rate instruments	8.18	6,680	253	4,774	1,522	-	(1,215)	12,014
Fixed interest rate instruments	8.10	20,169	2,351	4,650	2,701	-	(2,843)	27,028
Financial guarantee contracts		24,624	-	-	-	-	(24,624)	-
		52,626	5,603	14,033	4,223	-	(28,682)	47,803

AASB7.34, 35 [AASB132.67, 71, 74]

The following table details the company's and the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the company/Group anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the balance sheet.

Source reference

46. Financial instruments (cont'd)

Consolidated

	Weighted average effective interest rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Adjust-ment $'000	Total $'000
2006								
Non-interest bearing	-	11,216	9,426	941	-	-	-	21,583
Finance lease receivable	-	-	-	-	-	-	-	-
Variable interest rate instruments	5.75	20,979	1,367	3,944	2,448	-	(784)	27,954
Fixed interest rate instruments	7.38	42	85	2,815	2,681	-	(503)	5,120
		32,237	10,878	7,700	5,129	-	(1,287)	54,657
2005								
Non-interest bearing	-	8,493	8,516	248	-	-	-	17,257
Variable interest rate instruments	4.83	20,418	1,125	5,204	1,911	-	(530)	28,128
Fixed interest rate instruments	7.00	-	-	-	2,600	-	(478)	2,122
		28,911	9,641	5,452	4,511	-	(1,008)	47,507

Company

	Weighted average effective interest rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Adjust-ment $'000	Total $'000
2006								
Non-interest bearing	-	8,216	8,219	8	-	-	-	16,443
Variable interest rate instruments	7.28	8,552	18	-	27,000	-	(2,403)	33,167
Fixed interest rate instruments	7.53	203	407	1,873	2,889	-	(752)	4,620
		16,971	8,644	1,881	29,889	-	(3,155)	54,230
2005								
Non-interest bearing	-	7,367	7,370	12	-	-	-	14,749
Variable interest rate instruments	7.45	6,681	100	108	32,511	-	(2,476)	36,924
Fixed interest rate instruments	7.00	-	-	-	2,684	-	(562)	2,122
		14,048	7,470	120	35,195 23,195	-	(3,038)	53,795

AASB7.34, 35 [AASB132.67, 71, 74]

The following table details the Group's expected maturity for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

The company does not hold any derivative financial instruments (2005: nil).

	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000
2006					
Interest rate swaps	11	13	157	173	22
Forward exchange contracts	42	83	47	-	-
	53	96	204	173	22
2005					
Interest rate swaps	7	7	94	113	-
Forward exchange contracts	68	137	17	-	-
	75	144	111	113	-

Source reference

46. Financial instruments (cont'd)

AASB7.B14

The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows, for example:
(a) gross finance lease obligations (before deducting finance charges);
(b) prices specified in forward agreements to purchase financial assets for cash;
(c) net amounts for pay-floating/receive-fixed interest rate swaps for which net cash flows are exchanged;
(d) contractual amounts to be exchanged in a derivative financial instrument (e.g. a currency swap) for which gross cash flows are exchanged; and
(e) gross loan commitments.

(l) Fair value of financial instruments

AASB7.27 [AASB132.92(a), (b)]

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions
- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

AASB7.27 [AASB132.92(c)]

The financial statements include holdings in unlisted shares which are measured at fair value (note 13). Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. In determining the fair value an earnings growth factor of 5.2% (2005: 4.9%) and a risk adjusted discount factor of 12.2% (2005: 11.9%).

Included in note 46(i) is a sensitivity analysis of the valuation to change in key inputs to the model; changes in these assumptions do not significantly change the fair value recognised.

AASB7.25, 29(a) [AASB132.86]

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values:

	2006		2005	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Consolidated				
Financial assets				
Loans and receivables:				
[Describe]	-	-	-	-
Held-to-maturity investments:				
Bills of exchange	6,363	6,370	5,262	5,263
Debentures	500	502	-	-
Financial liabilities				
Borrowings:				
Bills of exchange	358	360	916	920
Redeemable cumulative preference shares	15,000	14,950	-	-
Convertible notes	4,144	4,150	-	-
Perpetual notes	1,905	2,500	-	-
Company				
Financial assets				
Loans and receivables:				
[Describe]	-	-	-	-
Held-to-maturity investments:				
[Describe]	-	-	-	-
Financial liabilities				
Borrowings:				
Redeemable cumulative preference shares	15,000	14,950	-	-
Convertible notes	4,144	4,150	-	-
Perpetual notes	1,905	2,500	-	-

Source reference

46. Financial instruments (cont'd)

Fair value determined using valuation techniques

AASB7.27(c) [AASB132.92(c)]

The Group shall disclose whether the fair values recognised or disclosed in the financial report are determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and not based on available observable market data. For fair values that are recognised in the financial report, if changing one or more of those assumptions to reasonably possible alternative assumptions would change fair value significantly, the entity shall state this fact and disclose the effect of those changes. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in equity, total equity.

AASB7.27(d) [AASB132.92(d)]

The Group shall disclose the total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during the period.

Fair value not reliably determinable

AASB7.29(b), (c), 30 [AASB132.90]

Disclosures of fair value are not required for an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, that is measured at cost in accordance with AASB 139 because its fair value cannot be measured reliably; or for a contract containing a discretionary participation feature (as described in AASB 4) if the fair value of that feature cannot be measured reliably.

In the cases described above an entity shall disclose information to help users of the financial report make their own judgments about the extent of possible differences between the carrying amount of those financial assets or financial liabilities and their fair value, including:

(a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;

(b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;

(c) information about the market for the instruments;

(d) information about whether and how the entity intends to dispose of the financial instruments; and

(e) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.

Accounting for deferred 'day 1' gains

AASB7.28

Where an entity is precluded from recognising a 'day 1' gain or loss on a financial instrument the entity shall disclose, by class of financial instrument:

(a) its accounting policy for recognising that difference in profit or loss to reflect a change in factors (including time) that market participants would consider in setting a price; and

(b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference.

Compound financial instruments with multiple embedded derivatives

AASB7.17 [AASB132.94(d)]

If an entity has issued an instrument that contains both a liability and an equity component and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.

Our Signals

Recruit and retain the best – our people are talented, enthusiastic, self-starters, team players who are bursting with potential. They are people with whom we have a lifetime association.

Talk straight – when we talk, it's open, regular, honest, constructive two-way communication between our people and our clients.

Empower and trust – we encourage a sense of ownership and pride by giving responsibility and delegating authority.

Continuously grow and improve – we have an environment that respects the individual, rewards achievements, welcomes change and encourages a lifetime of learning – with ourselves and our clients.

Aim to be famous – we aim to reach for the stars – and beyond. To be thought leaders, showcasing our clients and our team's talent and expertise.

Play to win-think globally – winning is our stated objective. It is also our state of mind.

Have fun and celebrate – there is never a wrong time to celebrate and have fun – recognising, appreciating, acknowledging and learning from the experiences and success shared between our client and Deloitte teams.

Our culture – our essence

Culture at Deloitte does not just happen – we work at it.

It's the sum total of the actions of our people, it's the way we treat others – it's the way we behave. Our seven Signals embody these values. Our passion for teamwork and exceptional client service is our point of difference.

At Deloitte, we live and breathe our culture.

Our internationally experienced professionals strive to deliver seamless, consistent services wherever our clients operate. Our mission is to help our clients and our people excel.

Recent awards and achievements

- 'Accounting Services Firm of the Year' – CFO Awards (Sept 2006)
- Employer of Choice for Women citation for the fifth year in a row by the EOWA (Equal Opportunity for Women in the Workplace Agency) Business Achievement Awards (Feb 2006)
- voted the World's 'Best Securitisation Accounting Firm' for the eighth year running in the international Securitisation Report' (Jan 2006)
- named number one non-investment banking firm for global corporate reorganisation by 'The Deal' (Dec 2005)
- rated as a 'Leader' in ERM Consulting achieving the highest overall score in the evaluation. (Oct 2005) *
  * Enterprise Risk Management – Oct 2005
- EOWA Business Achievement Awards (Sept 2005)
  Deloitte CEO, Giam Swiegers: winner of 'Leading CEO for the Advancement of Women' in the Australian Government's EOWA Business Achievement Awards
- winner of the 'Most Innovative Firm' in BRW–St George Client Choice Awards (Mar 2005)
- Accounting Services Special Award, CFO Magazine Awards (Aug 2004)
- voted #1 globally as the top transfer pricing network in the world by Euromoney's 2004 edition of the 'Expert Guide to the World's Leading Transfer Pricing Advisers' (Feb 2004)
- ranked #1 by Asia Insurance Review in recognition of Trowbridge Deloitte's outstanding standard of services. 'Service Provider of the Year' (Oct 2003)
- ranked #2 in annual list of 'Top 100 accounting firms', by BRW (July 2003)
- voted #1 in Euromoney's 'World's Leading Tax Advisers' Guide (2002)

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